



# 2008 MAINE CORPORATE INCOME TAX BOOKLET

INCLUDES FORMS:  
1120ME  
CR (COMBINED REPORT)  
1120X-ME  
1120EXT-ME

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## IMPORTANT CHANGES

- ♦ **Bonus depreciation.** Maine taxable income must be increased by the net increase in the federal depreciation deduction as a result of claiming the 50% bonus depreciation under section 103 of the Economic Stimulus Act of 2008. For tax years following the year an asset is placed in service, a subtraction modification is allowed equal to the net decrease in federal depreciation resulting from having claimed the 50% bonus depreciation for federal income tax purposes. See page 5 for details.
- ♦ **Net operating losses.** Corporations with a recapture subtraction modification of a previously denied net operating loss ("NOL") carryback are limited to claiming no more than \$100,000 of the modification for any tax year beginning in 2008. Additionally, for tax years beginning in 2008, corporate taxpayers must increase Maine taxable income by 10% of any federal net operating loss carryover in excess of \$100,000 used in calculating federal taxable income. See page 5 for details.
- ♦ **Refundable credit for rehabilitation of historic properties for qualified expenditures incurred after 2007.** This credit is 25% of qualified expenditures with respect to certified historic structures located in Maine, whether or not a federal credit is claimed under Code Section 47. Certain limitations apply. See page 8 for details.

*See Other Important Tax Law Changes on page 23*

## QUESTIONS?

C Corporation	207-624-9670	Email: <a href="mailto:corporate.tax@maine.gov">corporate.tax@maine.gov</a>
S Corporation, Partnership	207-626-8475	Email: <a href="mailto:partner-scorp.tax@maine.gov">partner-scorp.tax@maine.gov</a>
Individual	207-626-8475	Email: <a href="mailto:income.tax@maine.gov">income.tax@maine.gov</a>
Withholding Tax	207-626-8475	Email: <a href="mailto:withholding.tax@maine.gov">withholding.tax@maine.gov</a>
Sales Tax	207-624-9693	Email: <a href="mailto:sales.tax@maine.gov">sales.tax@maine.gov</a>
To order forms	207-624-7894	
For general information and downloadable forms, visit our web site		<a href="http://www.maine.gov/revenue">www.maine.gov/revenue</a>

**Tax Fraud Hotline:** 207-624-9600 Call this number or send an email to [compliance.tax@maine.gov](mailto:compliance.tax@maine.gov) to report possible tax violations, including failure to file tax returns, failure to report all income and failure to register for tax filing.

*Do you owe Maine Use Tax on items you buy?*

*(See page 4, item 10)*

*Are you required to collect and remit Maine sales & use tax?*

*(See back cover for more information)*

# CORPORATIONS REQUIRED TO FILE

## CORPORATIONS SUBJECT TO INCOME TAX:

Every entity (including exempt organizations) must file Form 1120ME and pay the applicable Maine corporate income tax if it meets the following criteria:

1. The entity is required to file a federal corporate income tax return; and
2. The entity realizes Maine net income.

**Beginning with tax year 2007, captive insurance companies are no longer subject to the Maine insurance premiums tax. These companies are now subject to the Maine corporate income tax.**

**Maine Net Income.** Maine net income is the taxpayer's federal taxable income modified by Maine law and apportionable to Maine. A corporation is subject to tax if the business has nexus with Maine.

**NEXUS:** Nexus refers to having sufficient connection with a jurisdiction to subject the corporation to taxation. Nexus is generally created by physical presence or by conducting business within the taxing jurisdiction. *See generally MRS Rule 808.*

**Conducting Business in Maine.** Without limitation, a corporation conducts business in Maine if it engages in any of the following activities in this state:

1. Maintains an office or other place of business;
2. Executes a contract;
3. Exercises or enforces contract rights;
4. Buys, sells, or procures services or property; or
5. Employs labor.

**Owning or Using Property.** Without limitation, a corporation owns or uses property in Maine if it:

1. Owns property that is held by another person in this state under a lease, consignment, or other arrangement;
2. Uses in this state property that it holds under a lease, license or other arrangement; or
3. Maintains a stock of goods in this state.

**Exception for Certain Activities under U.S. Public Law 86-272.** A foreign corporation that does business in Maine or owns or uses property in Maine is not subject to Maine income tax if its only activities in Maine are those set forth as exempt in U.S. P.L. 86-272 (15 U.S.C. §§ 381-384).

**a. Solicitation Activities.** P.L. 86-272 precludes Maine from imposing a tax on the income of a foreign corporation if the sole activity of the corporation in this state is the solicitation by the corporation's representatives (in the name of the corporation or in the name of a prospective customer) of orders for the sale of tangible personal property, provided that the orders are sent outside of Maine for approval or rejection, and provided that the orders are filled by shipment or delivery outside of Maine.

**Limitations.** P.L. 86-272 restricts a state's tax jurisdiction with respect to sales solicitation activities only if the taxpayer's activity is limited to solicitation of orders for the sale of **tangible personal property**. P.L. 86-272 does not afford protection in the following circumstances:

1. A **combination** of solicitation activities and non-solicitation activities in Maine;
2. The solicitation of orders for the sale or provision of **services**, either standing alone or in combination with the solicitation of orders for tangible property. Some examples of the combined sale of services and tangible personal property are photographic development and the provision of architectural or engineering services; and
3. The solicitation of orders for the sale, lease, rental, license, or other disposition of **real property or intangibles**.

**b. De Minimis Activities.** Non-solicitation business activities conducted by a corporation in Maine will not subject the corporation to taxation if the activities, taken together, are *de minimis*.

For additional information, see MRS Rule 808 by going to [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules).

## CORPORATIONS NOT SUBJECT TO MAINE CORPORATE INCOME TAX:

The following corporations are not subject to Maine corporate income tax: S corporations (except those with federal taxable income at the corporate level); insurance companies that are subject to, or would be subject to, tax under 36 MRSA §§ 2512 - 2528 (insurance premium tax and fire investigation and prevention tax), except insurance companies that operate HMOs and captive insurance companies (*see* 36 MRSA §§ 5102(6) and 5202-C); and

banking institutions that are subject to franchise tax (*see* b below). Corporate **small business investment companies**, licensed under the United States Small Business Investment Act of 1958 that are commercially domiciled in Maine and do business primarily in Maine are also not subject to this tax.

**a. LIMITED LIABILITY COMPANIES.** Maine law allows for the formation of limited liability companies. It provides that a domestic LLC or foreign LLC doing business in Maine is classified as a partnership for Maine income tax purposes, unless classified otherwise for federal income tax purposes, in which case the LLC is classified in the same manner for Maine income tax as for federal income tax purposes.

**b. BANKING INSTITUTIONS SUBJECT TO FRANCHISE TAX.** Every corporation that is a financial institution (except a credit union), any service corporation or subsidiary as defined in 9-B MRSA § 131 and any financial institution holding company that is doing business in this state must file Form 1120B-ME and pay Maine franchise tax. This requirement also applies to any financial institution organized as an S corporation, partnership, or entity disregarded as separate from its owner. **Do not use Form 1120ME.** Franchise Tax Form 1120B-ME and instructions are available by going to [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms).

## FILING REQUIREMENTS FOR S CORPORATIONS AND PARTNERSHIPS:

S corporations and partnerships, except financial institutions, that have Maine-source income or that have resident shareholders or partners are required to file an information return consisting of Form 1065ME/1120S-ME and a copy of the federal return. If you are filing a return for an S corporation that is not subject to tax at the corporate level, do not file Form 1120ME.

Shareholders and partners are subject to Maine income tax. Those who are nonresident individuals and who have no other Maine-source income may satisfy the filing requirement with a composite return. In that event, the entity must file a return on behalf of the participating nonresident shareholders or partners using Form 1040ME labeled "composite return," Schedule 1040C-ME and Schedule NRC. For additional information, *see MRS Rule 805* and instructions on the MRS web site.

S corporations that incur federal taxable income (e.g. certain capital gains and certain built-in gains) at the corporate level are required to file Form 1120ME and report only the income that is taxed at the corporate level for federal purposes.

# UNITARY BUSINESS COMBINED REPORTING

## WHO MUST FILE A COMBINED REPORT (FORM CR)?

Taxable corporations that are members of an affiliated group engaged in a multi-corporate unitary business must file a combined report based on the federal taxable income of the unitary business. *See* MRS Rule 810. **Beginning in 2007, captive insurance companies are subject to corporate income tax and, therefore, must be included in the combined report.** Corporations that are part of a unitary business but are not required to file a federal income tax return are to be excluded from the combined report.

The combined report must indicate which corporate members have nexus with Maine, and it must include, both in the aggregate and by corporation,

the federal taxable income, allowable adjustments, state modifications provided by 36 MRSA § 5200-A, and sales, payroll, and property values in Maine and everywhere.

Maine defines **affiliated group** to mean a group of two or more corporations in which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations.

Maine corporate income tax of a unitary business is determined by apportioning to Maine the gross tax of the unitary business. **Beginning in 2007,**

**Maine utilizes a single sales factor apportionment formula.**

**A UNITARY BUSINESS** is one that is characterized by unity of ownership, functional integration, centralization of management, and economies of scale. The cumulative effect of these characteristics is analyzed to determine if affiliated businesses are unitary.

**UNITY OF OWNERSHIP** is generally demonstrated when 50% or more of the voting stock is owned directly or indirectly by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

# UNITARY BUSINESS COMBINED REPORTING (continued)

**CENTRALIZED MANAGEMENT** is indicated when directors, officers, and/or other management personnel jointly participate in management decisions that affect the respective companies. Centralized management still exists when day-to-day management responsibilities are decentralized, as long as the overall strategy of the whole group is affected centrally. Other indicators of centralized management include managing to ensure that the business segments are operated for the benefit of the entire group and not just for their own individual interest, transferring knowledge and expertise among the segments, adhering to common standards of professionalism, profitability and/or ethical practices, and transferring or rotating officers or other management employees among the business segments.

**FUNCTIONAL INTEGRATION** refers to transfers between, or pooling among, business segments that significantly affect the business operations of the segments. There is no specific type of functional integration that must be present. Facts suggesting the presence of functional integration should be analyzed for their cumulative effect and not in isolation. Functional integration can be illustrated by: common marketing; intercompany sales; exchanges or transfers of products, services or intangibles; common distribution systems; and common purchasing.

**ECONOMIES OF SCALE** exist when companies interact to achieve, or have the potential to achieve, a decrease in the cost of production or in the cost of administrative functions due to the increase in size of the interaction. Economies of scale may exist from the inherent cost savings that arise from the presence of functional integration or centralization of management.

A unitary determination is made by reviewing all the business activities of an affiliated group. A **flow**

**of value** arising from these activities is indicative of multi-corporate unity. To help you determine whether your business operates in a unitary manner, a unitary business questionnaire is available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms). Select Corporate Income Tax under the Income/Estate Tax category.

**RETURNS:** Corporate members of unitary businesses may file a single combined return or separate corporate returns. A single combined return, if elected, must be filed in the name of the parent corporation if the parent is a member of the unitary business and has nexus with Maine. If there is no parent company or the parent company is not a member of the unitary business or does not have nexus with Maine, the unitary business must choose a Maine taxpayer member to file the return. Once selected, the filing member must remain the same in subsequent years unless changes in that member's ownership or nexus occur. Unitary members who have nexus with Maine may file separate returns with their income tax based on the combined report of the unitary business. A copy of the combined report (Form CR) must be attached to each of the separate returns. The apportionment factor of the unitary business is then used to compute the Maine income tax of the individual member filing a separate return.

Whether filing separately or as a group, the Maine tax liability must be calculated for all unitary members together. If filing separately, each member's tax liability is determined based on that member's share of the total liability.

The lower, preferential tax rates may be applied to a separate filer if agreed to by the entire unitary group. The remaining tax liability is then applied to the rest of the unitary group. A schedule showing the income tax assigned to each filer must be submitted with each return. Any tax credits generated by a taxable corporation engaged in the unitary business must be applied against the Maine income tax liability of that

corporation only, unless otherwise permitted by law.

**DIFFERING YEAR-END DATES:** Members of a unitary business with differing year-end dates must file using the filing member's taxable year to determine the adjusted federal taxable income of the unitary business. If the precise amount of a unitary member's income can be readily determined from the books for the months involved in the filing member's taxable year, those actual amounts are to be used. In the absence of a precise determination, the income of a unitary member must be converted to conform to the taxable year of the filing member on the basis of the number of months falling within the applicable taxable year. For example, if the filing member operates on a calendar year and a unitary member includable in the combined report operates on a fiscal year ending on February 28th, it is necessary to assign 10/12 of that member's income from the current taxable year and 2/12 of the income from the preceding taxable year in order to arrive at a full twelve months' income to be included in the combined report (this method may be used only if the return can be timely filed after the member's taxable year ends). Alternatively, all of the income from the unitary member's taxable year ending during the taxable year of the filing member may be used. Whichever method for calculating adjusted federal taxable income is used, that method must be used for all years that the unitary member must file. Once the combined taxable income of the unitary business is determined on the basis of the filing member's taxable year, the apportionment factor must be computed on the basis of the same taxable year.

For more information on unitary business and combined reporting, see MRS Rule 810. Go to [www.maine.gov/revenue/rules](http://www.maine.gov/revenue/rules).

## GENERAL INSTRUCTIONS

**1. DATE FOR FILING RETURN:** Corporations reporting for calendar year 2008 are required to file, with payment, on or before March 16, 2009. Fiscal year taxpayers are required to file, with payment, on or before the 15th day of the third month following the close of the taxable year.

**2. EXTENSIONS FOR FILING:** A State of Maine extension request form is not required. If you are unable to file by the original due date of the return, Maine allows an automatic seven-month extension of time to file.

**CAUTION:**

- **An extension to file your Maine return is not an extension to pay your tax.**
- **The automatic extension is only effective if the return is filed within the seven-month extension period.**

If you owe tax, you must pay at least 90% of that amount by the original due date for filing your return and the remaining amount due must be paid when the return is filed by the extended due date to avoid the failure-to-pay penalty. Interest will be charged on **any** tax paid after the original due date of your return.

Remit your estimated tax payment with the Maine Extension Tax Payment Voucher for Corporations (Form 1120EXT-ME), located in this booklet, by the

original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 9114, Augusta, ME 04332-9114.

**3. PAYMENT OF CORPORATE INCOME TAX:** All corporations subject to income taxes must make payments of estimated tax unless the liability for the current taxable year or for the prior tax year reduced by allowable credits is less than \$1,000. Equal installments of estimated tax are due throughout the tax year. Payments can be made electronically, using Maine EZ Pay (no forms required) at [www.maine.gov/revenue](http://www.maine.gov/revenue) or download Form 1120ES-ME at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or call 207-624-7894 to order the form. If you made estimated payments last year, Form 1120ES-ME will automatically be mailed to you this year.

**4. INTEREST:** For calendar year 2009, the interest rate is **8%**, compounded monthly. The interest will be added to the balance of any tax due from the original due date to the date of payment and should be included with any payment.

**5. PENALTIES:**

**a. Underpayment of estimated tax penalty.** For calendar year 2009, the penalty is **8%**, compounded

monthly. The penalty rate for calendar year 2008 is 12%, compounded monthly. The penalty will be assessed if the sum of quarterly estimated tax payments is not at least equal to the lesser of the previous year's Maine income tax liability or ninety percent (90%) of the tax liability for the current year. Exception: certain large corporations cannot use the previous year's liability in determining the required amount of estimated tax payments.

**b. Late filing and late payment penalties.** If a past due return is filed before the receipt, or within 30 days of the receipt, of a demand notice, the penalty for failure to file is the greater of \$25 or 10% of the amount of tax due. If the return is filed more than 30 days after the receipt of a demand notice, the failure-to-file penalty increases to 100% of the tax otherwise due.

For failure to pay a tax liability, the penalty is 1% of the tax liability for each month the payment is delinquent, up to a maximum of 25%.

**c. Other penalties.** The law also provides for penalties for substantial understatement of tax, negligence, fraud, and for payment of tax by check that is returned for insufficient funds.

**6. ACCOUNTING PERIOD COVERED BY RETURN:**

Your Maine return covers the same accounting period as your federal corporate return. If

## GENERAL INSTRUCTIONS (continued)

the taxable years of the members of a unitary business group differ, *see* **MRS Rule 810** and instructions on this page titled “Differing year-end dates.”

**7. ACCOUNTING METHODS:** A taxpayer’s accounting method for Maine income tax purposes must be the same as that used for federal income tax purposes.

### 8. ADDITIONAL FORMS TO ACCOMPANY STATE RETURN:

**NOTE:** Due to scanner requirements, supporting documents must be submitted on paper -- disks will be returned to the taxpayer.

**a.** The Maine corporate return must be accompanied by a legible copy of the corporation’s federal return, Form 1120, pages 1 through 4, for the same taxable period. If the corporation is a member of a **federal consolidation**, the federal return, Consolidated Form 1120, pages 1 through 4, must be provided.

**b.** Corporations subject to Maine corporate income tax that are members of an affiliated group as defined by Maine law, and operating in a unitary business, **must complete and attach Form CR, along with an affiliation schedule.** Exempt organizations filing the Maine corporate return, Form 1120ME, must attach a legible copy of the corporation’s federal return, Form 990T.

### 9. FEDERAL AUDIT CHANGES AND AMENDED RETURNS:

Taxpayers must file Maine amended returns for any change or correction by the Internal Revenue Service to federal taxable income within 90 days after final determination of such change or correction. Attach a copy of the Internal Revenue Agent’s report with all supporting schedules to your

Maine amended return, Form 1120X-ME.

Taxpayers filing amended federal income tax returns must, within 90 days, file amended Maine income tax returns with copies of federal Form 1120X. When filing returns that reflect federal net operating losses, a copy of federal Form 1139 must be attached.

In addition, an amended Maine income tax return is required to correct errors on a previously filed return. The amended return must be filed within 90 days of the discovery of the error.

### 10. MAINE SALES AND USE TAX INFORMATION:

Taxable items bought from out-of-state sellers that do not collect Maine sales tax of at least 5% are subject to a use tax. The use tax equals 5% of the purchase price where no sales tax has been paid. If you paid another state’s sales or use tax on any purchase, that amount may be credited against the Maine use tax due on that purchase. There is no use tax liability if the purchase would have been exempt if purchased in Maine. If you are registered for sales/use tax purposes and are receiving returns, report the purchases on the applicable “Taxable Purchases” line of that return. Call 207-624-9693 if you have questions about Maine Use Tax Law.

### 11. ELECTRONIC PAYMENTS:

You may now pay your corporate income tax electronically at [www.maine.gov/revenue](http://www.maine.gov/revenue), using either Maine EZ-Pay or ACH Teledebit. ACH Teledebit requires prior registration. Electronic payments can be made for Forms 1120EXT-ME (extension tax payment voucher for corporations) as well as 1120ES-ME (corporate income tax estimated payment vouchers), eliminating the need for paper forms. Maine EZ Pay is an online application that was created to allow Maine taxpayers

to make payments online, quickly and easily. Almost any type of tax payment can be made, including withholding, unemployment and sales taxes. For convenience, payments may be scheduled in advance and will automatically be withdrawn on the payment date the taxpayer selected. Taxpayers must pre-register online.

Corporate taxpayers may also make electronic payments using the ACH Credit Method. This means that you can electronically transfer funds from your bank account to the State of Maine. This ACH payment method requires an application to participate.

Taxpayers with an annual corporate liability in excess of certain thresholds must make electronic payments. You will be notified if mandated. See MRS Rule 102.

To obtain an ACH Teledebit or ACH Credit application, a copy of Rule 102, or to get more information, call 207-287-8276 or write: EFT Unit, Maine Revenue Services, 24 State House Station, Augusta, ME 04333-0024. The ACH application and MRS Rule 102 can also be downloaded at [www.maine.gov/revenue](http://www.maine.gov/revenue).

**Penalty for failure to pay by electronic funds transfer.** Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

**Penalty for insufficient funds.** The penalty for insufficient funds also applies to electronic funds transfers. The penalty is \$20 or 1% of the payment amount, whichever is greater.

**12. OVERPAYMENT OFFSETS:** Maine Revenue Services will offset tax overpayments, including those designated to be carried forward, in order to satisfy an existing debt with MRS or any other state agency.

## SPECIFIC INSTRUCTIONS

### Line A. FEDERAL CONSOLIDATED INCOME:

If the federal filing was part of a federal consolidated return, enter the amount from federal Form 1120, line 30 here.

**Line 1. FEDERAL TAXABLE INCOME:** Enter federal taxable income from line 30 of federal Form 1120, unless the corporation is an S corporation. For S corporations, the corporate level federal taxable income is entered. Corporations that are members of an affiliated unitary business group should refer to the combined reporting instructions on pages 2, 3, and 9. Real estate investment trusts (REITs) enter amount from federal Form 1120-REIT, line 22. Homeowners associations enter amount from Form 1120-H, line 19. A corporation that has nexus with Maine that is an affiliate of a federal consolidated filing, but not a member of a unitary business group, must enter federal taxable income that is solely attributable to the corporation.

**NOTE:** Amounts added to or subtracted from federal taxable income are the net amounts included (or excluded for purposes of addition) in federal taxable income.

### SUBTRACTIONS

**Line 2a. NONTAXABLE INTEREST:** Enter interest on U.S. bonds, U.S. Treasury notes, or other obligations of the U.S. government which, by law, are exempt from

state taxes, but taxable by the federal government. Also include interest from bonds issued by the State of Maine or Maine municipalities and interest from bonds issued by an airport authority chartered in accordance with Maine Title 6, Chapter 10, if taxed on the federal return. Taxpayers may subtract from federal taxable income interest income and capital gains from the sale of bonds issued by the Maine Waste Management Agency to the extent included in federal taxable income.

### Line 2b. FOREIGN DIVIDEND GROSS-UP:

Enter the amount from federal Form 1120, Schedule C, line 15.

### Line 2c. WORK OPPORTUNITY CREDIT AND EMPOWERMENT ZONE CREDIT DEDUCTION:

Enter on this line the amount of salaries and wages expense deduction directly related to claiming the Work Opportunity credit or Empowerment Zone credit. These amounts are reported on federal Form 5884, line 2 or Form 8844, line 2. The amount from Form 8844 will also include wages related to the Renewal Community credit.

### Line 2d. INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S.:

Enter income this state is prohibited from taxing under the constitution or laws of the United States or the constitution of the State of Maine, to the extent included in federal taxable income. The amount must not be otherwise deducted and must be decreased by any expenses incurred in the production of that income to the

extent that these expenses are deductible in determining federal taxable income. **Attach a worksheet detailing the amount claimed on this line.**

### Line 2e. DIVIDENDS FROM CERTAIN AFFILIATED CORPORATIONS:

Enter 50% of all apportionable dividends from affiliated corporations that are not included by the taxpayer in a Maine combined report. Dividends must be included in federal taxable income, line 1. In order to be affiliated, a corporation must be more than 50% owned. Although this may include domestic entities, most affiliated corporations not included in a combined report are foreign entities.

### Line 2f. NET OPERATING LOSS DEDUCTION CARRYOVER:

If you have a net operating loss for tax years beginning in 1992, beginning or ending in 2001 or beginning in 2002 or later, that was carried back for federal purposes, but added back to income under § 5200-A(1)(H) or § 5200-A(1)(M), you are allowed a deduction on this line equal to the amount of the income addition required for Maine income tax purposes. However, the deduction must be within the allowable NOL carryover period, cannot exceed \$100,000 for tax years beginning in 2008, cannot reduce Maine taxable income to less than zero and must not have been previously used as a modification. For more information and examples, visit [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) and select Guidance Documents.

## SPECIFIC INSTRUCTIONS (1120ME) - continued

### Line 2g. INCOME FROM OWNERSHIP INTEREST IN PASS-THROUGH ENTITY FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX:

Financial institutions are subject to Maine's franchise tax, regardless of organizational structure. If federal taxable income includes income from ownership of a financial institution that is a pass-through entity (partnership, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 reporting this amount.

### Line 2h. STATE INCOME TAX REFUNDS:

Enter the amount of state income tax refunds included in federal taxable income provided the amount has already been taxed by Maine. This modification may not reduce federal taxable income to less than zero, and the amount refunded from this state or another state must not have been previously used as a modification. Any unused portion of the modification may be carried forward 20 years.

### Line 2i. BONUS DEPRECIATION/SECTION 179 EXPENSE RECAPTURE:

Amounts added to income in prior years under 36 MRSA § 5200-A(1)(N) may be recaptured over the life of the applicable asset. For property placed in service in 2002, addition modifications may be recaptured in equal amounts over the remaining life of the asset beginning in 2004. For assets placed in service during the period 2003-2007, 5% of the addition modification is recaptured in the year after the asset was placed in service, with the remaining 95% recovered in subsequent tax years, in equal installments, over the remaining life of the asset. For more information and examples, visit [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) and select Guidance Documents.

### Line 2j. OTHER: Enter on this line the following subtraction modifications:

**NORTHERN MAINE TRANSMISSION CORPORATION ADJUSTMENT:** Bonds, notes, other evidences of indebtedness; interest and profits from bonds, notes, other evidences of indebtedness; and any other income or money of the Northern Maine Transmission Corporation are exempt from state income tax.

### GAIN ON SALE OF MULTIFAMILY AFFORDABLE HOUSING:

This modification equals the total of capital gains and ordinary income resulting from depreciation recapture pursuant to Code sections 1245 and 1250 realized on the sale of multifamily affordable housing property. Qualified property must be certified by the Maine State Housing Authority ("MSHA"). A copy of the MSHA certificate must be attached to the return.

## ADDITIONS

### Line 4a. INCOME TAXES IMPOSED BY MAINE OR ANY OTHER STATE:

Maine does not permit a deduction for income taxes imposed by Maine or any other state. Enter income taxes taken as a deduction on federal Form 1120. However, to the extent claimed federally, Maine does allow a deduction for the Ohio Commercial Activity Tax, the new Texas Franchise Tax, and the portions of the Michigan Business Tax that are not based on income.

### Line 4b. UNRELATED EXPENSES:

If the corporation listed on this return is part of a federal consolidated group, but filing separately for Maine and is not a member of a unitary business group, any expenses incurred by the corporation on behalf of subsidiaries or other members of a group that are not included on this return must be added back. **Attach supporting schedules.**

### Line 4c. INTEREST FROM STATE AND MUNICIPAL BONDS OTHER THAN MAINE:

Corporations must, for Maine income tax purposes, increase federal taxable income by income from state and municipal bonds that originate outside Maine.

### Line 4d. NET OPERATING LOSS RECOVERY ADJUSTMENT:

Enter on this line an amount equal to any net operating loss carryover deduction claimed in this taxable year which has previously been used to offset Maine modifications to federal taxable income in accordance with 36 MRSA § 5200-A(1). See example in the box on this page. Also, enter on this line, for tax years beginning in 2008, 10% of any federal net operating loss carryover in excess of \$100,000 used in calculating federal taxable income. The 10% addition modification may be recaptured in subsequent tax years as long as the tax year is within the allowable federal carryover period for the loss, plus one year.

must also be increased by the net effect of the increase in section 179 expense, including indexed amounts, due to federal changes (deduction limit increase; phase-out threshold increase; and certain off-the-shelf computer software includable as eligible property) enacted in 2003 and after. The amount of this modification is determined by first recalculating the section 179 expense on federal Form 4562 exclusive of all section 179 expense increases listed above. Enter on line 4f the difference between this recalculated section 179 expense and the original section 179 expense claimed for federal income tax purposes. **If the difference is less than zero, enter zero.**

Enclose both the actual and pro forma versions of federal Form 4562 with the Maine return. Property expensed under the provisions of section 179 at the federal level cannot be capitalized for Maine purposes. For more detailed information with examples, visit [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) and select Guidance Documents. Also, refer to the instructions for Form 1120ME line 2i, above.

### Line 4g. OTHER: Include on this line the following items:

**LOSSES, EXPENSES, OR DEDUCTIONS FROM OWNERSHIP INTEREST IN FINANCIAL**

The following example illustrates the NOL Carryover Adjustment under 36 MRSA § 5200-A(1)(C):

Corresponding Line on Maine Return	NOL Year 2006	Carryforward 2007	Years 2008
Federal taxable income prior to NOL deduction	- 60,000	35,000	25,000
1. FTI after NOL deduction	- 60,000	0	0
Addition Modifications:			
4d. 5200-A(1)(C)			10,000
4x. Other	<u>10,000</u>	<u>-10,000</u>	<u>8,000</u>
5. Adjusted Federal Taxable Income	-50,000	\$ 10,000	18,000

Of the original \$60,000 loss in 2006, the entire amount is carried forward for federal purposes. In 2007, \$35,000 of the 2006 loss is used to offset income. In 2008, the remaining \$25,000 federal loss from 2006 is used to reduce FTI. However, since \$10,000 of Maine addition modifications were already offset in the year of the loss, that amount cannot be used again. Therefore, a \$10,000 Maine addition modification is required in 2008 to prevent that amount from offsetting income a second time. For additional information concerning the NOL recovery adjustment, see [www.maine.gov/revenue](http://www.maine.gov/revenue) and select Income/Estate Tax. Also, see page 10 for information regarding federal NOL carry-backs and the related Maine adjustments.

### INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX:

All financial institutions are subject to Maine's franchise tax, regardless of the entity's organizational structure. If federal taxable income includes a loss, expense, or deduction from ownership of a financial institution that is a pass-through entity (partnership, LLC, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 to verify this amount.

### HIGH-TECHNOLOGY CREDIT ADD-BACK:

Federal taxable income must be increased by the amount of investment credit base used for the high-technology credit also claimed as a business expense for federal income tax purposes.

## SPECIFIC INSTRUCTIONS (1120ME) - continued

**Line 5. ADJUSTED FEDERAL TAXABLE INCOME:** Beginning in 2005, Maine no longer apportions income for multistate corporations. Instead, Maine tax is determined by applying the Schedule A apportionment percentage against the total tax calculated on the corporation's adjusted federal taxable income. See lines 6 and 7a instructions.

**Line 6. GROSS TAX:** For tax years beginning in 2008, the Maine corporate tax rates are:

If adjusted federal taxable income is:

Greater Than	But not over	The gross tax is:
\$ 0	\$ 25,000	3.5% of adjusted federal taxable income
25,000	75,000	\$875 plus 7.93% of the excess over \$ 25,000
75,000	250,000	\$4,840 plus 8.33% of the excess over \$ 75,000
250,000	or more	\$19,418 plus 8.93% of the excess over \$250,000

**NOTE: Beginning in 2005, Maine apportions the total tax for multistate corporations rather than apportioning the income. See line 7a instructions below. Beginning in 2007, Maine uses a sales-only factor for determining the apportionment percentage. See Schedule A instructions on page 6.**

**Line 7a. MAINE CORPORATE INCOME TAX:** A corporation that is not part of an affiliated-unitary business group and has income solely from business activity within Maine must enter the amount from line 6 on line 7a. A corporation having income from within and outside the state must apportion tax on Schedule A and enter on this line the amount shown on line 17 of Schedule A. All corporations that are members of a unitary business group must also complete Form CR. See combined reporting instructions on pages 2, 3, and 19 of this booklet.

**Line 7b. MINIMUM TAX:** A minimum tax may be imposed, for each taxable year, upon a corporate taxpayer required to file a Maine corporate income tax return. Complete Schedule B to compute the amount to be entered on this line.

**Lines 8a and b. ESTIMATED AND EXTENSION PAYMENTS:** Enter estimated tax payments and extension payments made for the tax year. If claiming real estate withholding payments on line 8a, you must attach Form REW-1. Include on this line any overpayment carried over from previous years and applied to this year.

**Line 8c. OTHER CREDITS:** Enter the amount from Schedule C, line 29o. The amount on this line cannot exceed the tax liability on line 7a of Form 1120ME.

**Line 8d. INCOME TAX WITHHELD:** Enter on

line 8d the amount of withholding credited to the corporation through the Maine pass-through entity withholding requirement, and/or the amount withheld for certain gambling winnings. The amount claimed on this line must be substantiated by the attachment of a year-end Form 1099ME issued by the pass-through entity, and/or a copy of Form W-2G.

**Line 9b. PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX:** If the estimated tax was underpaid, complete and attach Form 2220ME to the corporate return. A copy of Form 2220ME is available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms).

**Line 11a. AMOUNT OF LINE 10 YOU WISH CREDITED:** Use this line only if you want to have all or part of the overpayment on line 10 applied as a payment to your next year's estimated Maine corporate income tax.

**Line 11b. AMOUNT TO BE REFUNDED:** Enter here the difference between lines 10 and 11a. Refunds of \$1.00 or more will be mailed to you.

**IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1 - 4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.**

## SCHEDULE A GENERAL INSTRUCTIONS

**NOTE:** Starting with tax year 2007, Maine apportions the corporation's aggregate tax using a sales-only factor.

Schedule A is for corporations engaged in interstate business. Maine employs a sales-factor formula to determine the percentage of corporate income tax that is apportioned to Maine. This percentage is derived from a fraction, the numerator of which includes the sales in Maine, and the denominator of which includes sales everywhere in the U.S. (36 MRSA §§ 5210-5211 and MRS Rule 801). If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Maine, the taxpayer may petition for, or the State Tax Assessor may require, in respect to all or any part of the taxpayer's business activity, separate accounting, or any other method to effectuate an equitable apportionment of the taxpayer's income tax.

"Tax period," referred to in the instructions for lines 12, 13 and 14, means the period represented by adjusted federal taxable income on line 5 of Form 1120ME.

"Sales" means all gross receipts including trade sales, dividends, interest, rents, and royalties. **See MRS Rule 801.08(B).** Sale of a partnership interest, on or after July 1, 2005, by a corporation engaged in a multistate business activity is attributed to Maine to the extent of the ratio of the partnership's tangible property located in Maine to tangible property located everywhere, determined based on original cost. **Beginning in 2007, receipts from sales, other than sales of tangible personal property, is generally sourced to the state of destination, rather than by costs of performance.**

**See details under specific instructions below.**

Corporations that are members of a unitary business group, see additional instructions on pages 2, 3, and 9.

Corporations that have an ownership interest in a pass-through entity must include their share of income and apportionment factor from that entity in the apportionment formula.

**See generally MRS Rule 801 for apportioning tax and income.**

## SCHEDULE A SPECIFIC INSTRUCTIONS

**MUTUAL FUND SERVICE PROVIDERS** may elect to apportion income tax to Maine using a special sales-only formula. Check the box on Schedule A if you qualify and are making this election. The choice is irrevocable for five years. Taxpayers electing this special apportionment are excluded from combined reporting. See 36 MRSA § 5212.

**Line 12. APPORTIONMENT FACTOR:** Effective for tax years beginning on or after January 1, 2007, all multistate corporate, pass-through entity and sole proprietor income will be apportioned using only the sales factor. The apportionment factor is a fraction, the numerator of which includes the total sales of the taxpayer in Maine during the tax period, and

the denominator of which includes the total sales of the taxpayer everywhere in the U.S. during the tax period.

**Sales of tangible personal property** are attributed to Maine if (1) the property is delivered or shipped to a purchaser, other than the United States Government, in Maine, regardless of the F.O.B. point or other conditions of the sale, or (2) the property is shipped from an office, store, warehouse, factory or other place of storage in Maine and the purchaser is the United States Government or the taxpayer is not taxed in the state of the purchaser.

**Sales, other than sales of tangible personal property.** Maine law governing how sales, other than sales of tangible personal property, are attributed to the

various states in which a business operates has changed. Under prior law, receipts from sales, other than sales of tangible personal property, were generally attributed to the state where the income-producing activity occurred, determined based on costs of performance. For tax years beginning after 2006, receipts from sales, other than sales of tangible personal property, are generally attributed based on where the services are received or where the property is located. Based on the new law, sales, other than sales of tangible personal property, are attributed as follows:

**Services.** Generally, receipts from the performance of services are attributed to the state where the services are received. If the state where the services are received cannot be readily determined, the services are deemed

## SCHEDULE A SPECIFIC INSTRUCTIONS Continued

to be received at the home of the customer or, in the case of a business, the office of the customer from which the services are ordered. If the office from which the services are ordered cannot be determined, the services are deemed to be received at the office to which the services are billed. Receipts from services rendered to the federal government and receipts attributable to a state in which the taxpayer is not taxable are attributed to Maine if a greater proportion of the related income-producing activity is performed in Maine than in any other state, based on costs of performance. See 36 MRSA § 5211(16-A)(A).

**Patents, copyrights, trademarks.** Receipts from the license, sale or other disposition of patents, copyrights, trademarks and other similar property are attributed to the state in which the property is used. Receipts are attributed to Maine if the taxpayer's commercial domicile is in Maine and is not taxable in the state in which the property is used. If the property is used in more than one state, the receipts associated with the property must be apportioned to Maine based on the ratio the property was used in Maine. Receipts from the federal government and receipts attributable to a state in which the taxpayer is not taxable are attributed to Maine if a greater proportion of the related income-producing activity is performed in Maine than in any other state, based on costs of performance. See 36 MRSA § 5211(16-A)(B).

**Real and tangible personal property.** Receipts from the sale, lease, rental or other use of real and tangible property are attributed to the state in which the property is located. See 36 MRSA § 5211(16-A)(C) + (D).

**Financial services.** Receipts from financial services are attributed to Maine as follows. See 36 MRSA §§ 5211(16-A)(E) & 5206-E(2)(C-I).

*Interest (and fees and penalties in the nature of interest) from loans located in Maine, determined at the time of original agreement.*

*Net gains from the sale of loans attributed to Maine.* The net gain attributed to Maine is determined based on the ratio of interest, fees and penalties from loans located in Maine to interest, fees and penalties from all loans.

*Interest (and fees and penalties in the nature of interest) from credit card receivables and receipts from fees charged to credit card holders (such as*

annual fees) associated with credit card holders whose billing address is in Maine.

*Net gains from the sale of credit card receivables attributed to Maine.* The net gain attributed to Maine is determined based on the ratio of credit card interest, fees and penalties associated with Maine credit card holders to all credit card interest, fees and penalties.

*Credit card reimbursement fees attributed to Maine.* Credit card reimbursement fees, including related payment processing fees, attributed to Maine is determined based on the ratio of credit card interest, fees and penalties associated with Maine credit card holders to all credit card interest, fees and penalties.

*Receipts from merchant discount, including related payment processing fees, if the commercial domicile of the merchant is in Maine.*

*Loan servicing fees attributed to Maine.* Loan servicing fees attributed to Maine is determined based on the ratio of interest, fees and penalties from loans located in Maine to interest, fees and penalties from all loans.

**Sale of partnership interest.** The gain or loss from the sale of a partnership interest is sourced to Maine by multiplying the gain or loss by the ratio of the original cost of the partnership's tangible property located in Maine to the original cost of the partnership's tangible property everywhere, determined at the time of the sale. A different ratio must be calculated if more than 50% of the value of the partnership's assets consists of intangible property. The foregoing allocation calculations do not apply to certain sales of interests in investment partnerships. See 36 MRSA §§ 5211(16-A)(F) & 5142(3-A).

**NOTE:** Although payroll and property are no longer included in the Maine apportionment factor, this information is still being collected for a variety of purposes, including for statistical, audit and tax credit purposes.

**Line 13. TOTAL PAYROLL:** Enter in column A total compensation paid in Maine during the tax period by the taxpayer, and enter in column B total compensation paid everywhere during the tax period. "Compensation" means wages, salaries, commissions and any other form

of remuneration to employees for personal services, including deferred compensation. Compensation is paid in Maine if (1) the individual's service is performed entirely within this state; (2) the individual's service is performed both within and outside Maine, but the service performed outside the state is incidental to the individual's service within Maine; or (3) some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed, and the individual's residence is in Maine.

### **Payroll for leased and temporary employees.**

The payroll totals must include 85% of amounts paid to an employee-leasing company for leased employees and 100% of amounts paid for temporary employees. Employee-leasing companies and temporary services companies will exclude from payroll compensation paid to leased or temporary employees who are providing personal services to client companies. However, amounts received from clients for leased or temporary employees must still be included in the line 12 apportionment factor calculation of the leasing or temporary services company.

**"Leased employee"** means an individual who performs services for a client company pursuant to a contract between the client company and an employee-leasing company.

**"Temporary services"** means employee services provided to client companies for a contractual period of less than 12 months.

**Line 14. TOTAL PROPERTY:** Enter in column A the average value of the taxpayer's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period. Enter in column B the average value of all the taxpayer's real and tangible personal property (including inventory) owned or rented and used during the tax period.

Property owned by the taxpayer is valued at original cost. The average value of the property is determined by averaging the values at the beginning and end of the tax period, but the State Tax Assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property. Property rented by the taxpayer is valued at eight times the net annual rental rate.

## SCHEDULE B INSTRUCTIONS

See Schedule B for specific instructions for each line. Attach federal Form 4626. If the members of the Maine corporate return differ from the federal corporate return filing, complete and attach a pro forma federal Form 4626 for the entity or entities included in the Maine return.

If the corporation is not required to file federal Form 4626 due to the small corporation exemption, the corporation will not be subject to Maine minimum tax.

**Line 20. MODIFICATIONS:** Enter on this line the total of the applicable Maine addition modifications under § 5200-A(1) to the extent not already included in federal alternative minimum taxable income. Also enter on this line the total of the applicable subtraction

modifications under § 5200-A(2) to the extent not already eliminated from federal alternative minimum taxable income. See Form 1120ME, lines 2 and 4 for a list of applicable modifications. For more information on how to calculate the modifications to federal alternative minimum taxable income, go to our web site at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) for the worksheet for Maine alternative minimum tax.

**Line 22. EXEMPTION:** You must recalculate the exemption amount on federal Form 4626 to find the total to use for purposes of the Maine alternative minimum tax. To do this, enter the amount from Schedule B, line 21 on a blank Form 4626, line 7. Then, follow the federal instructions for calculating the exemption amount on line 8c. Enter the amount

from the recalculated Form 4626, line 8c on Schedule B, line 22.

**Line 24. APPORTIONMENT FACTOR:** Enter the apportionment factor from Schedule A, line 15 unless 100% of your business activity is apportionable to Maine. Enter the value as a decimal amount. If 100% of your business activity is apportionable to Maine, enter the amount as "1.000000".

**Line 28b. PINE TREE DEVELOPMENT ZONE CREDIT:** The credit application worksheet is available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms), then select Worksheets for Tax Credits. Attach a copy of the worksheet to your return.

# SCHEDULE C INSTRUCTIONS

**Tax Credit Worksheets.** Except for the minimum tax credit, which is claimed on Schedule D, you must complete and attach a tax credit worksheet for each tax credit claimed. Tax credit worksheets may be downloaded from the internet. Go to [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) and select Worksheets for Tax Credits. You may also order worksheets by telephone by calling (207) 624-7894.

**Credit Claimed.** For each credit, enter in the appropriate space the total amount of the available credit, calculated without regard to the limitations imposed by the entity's tax liability or any other limitation resulting in a carryover of a portion of the credit. An amount should be entered only in the year the credit is initially calculated.

**Amount Used.** For each credit, enter in the appropriate space the amount of credit that is used to reduce tax liability this year. **The total amount of credit on line 29o that may be used this year cannot exceed the tax liability on line 7a of Form 1120ME.**

**29a. Maine Seed Capital Tax Credit:** Enter on this line the tax credit as authorized by the Finance Authority of Maine. A copy of the tax credit certificate must be attached to the return. The amount of credit is subject to limitations as outlined in 36 MRSA § 5216-B. **You must complete and attach a tax credit worksheet.**

**29b. Jobs and Investment Tax Credit:** A tax credit for qualifying jobs and investment is entered on this line. Eligibility for the credit requires the addition of \$5 million of IRC § 38 property based on the Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and 100 new jobs attributable to that investment in the 24-month period following the date the property was placed in service. For further details see 36 MRSA § 5215. **You must complete and attach a tax credit worksheet.**

**29c. Employer-Assisted Day Care Tax Credit and Quality Child Care Investment Credit:** Line 29c is used for both credits. Combine the credits for purposes of the credit claimed and credit used.

**Employer-Assisted Day Care Tax Credit:** A taxpayer constituting an employing unit is allowed a credit for providing day care for, or paying day care expenses of, employees, subject to the limitations of 36 MRSA § 5217. This credit is doubled if the day care provided constitutes quality child care. The Maine Department of Health and Human Services ("DHHS"), Office of Child Care and Head Start, certifies quality child care facilities. For more information on quality child care services and the certification process, call DHHS, Office of Child Care and Head Start, at 207-624-7909. **You must complete and attach a tax credit worksheet.**

**Quality Child Care Investment Credit:** Corporate taxpayers making certified investment in quality child care services qualify for a credit equal to 30% of up to \$30,000 of eligible expenditures. The Maine Department of Health and Human Services, Office of Child Care and Head Start, must certify eligible investments. 36 MRSA § 5219-Q. For more information on quality child care services and the certification process, call DHHS, Office of Child Care and Head Start, at 207-624-7909. **You must complete and attach a tax credit worksheet.**

**29d. Employer-Provided Long-Term Care Benefits Credit:** Corporations are eligible for the employer-provided long-term care credit if the policy on which premiums are paid is certified by the Maine Bureau of Insurance or the policy meets the federal definition of a qualified long-term care insurance contract under the Internal Revenue Code. If the qualifying policy is one certified by the Bureau of Insurance, enter the policy number on line 29d. 36 MRSA § 5217-C. **You must complete and attach a tax credit worksheet.**

**29e. Pine Tree Development Zone Credit:** Generally, a taxpayer engaged in the business of financial services, manufacturing or a targeted technology, as defined by 5 MRSA § 15301, that is located within a Pine Tree Development Zone may be eligible for this credit. Beginning in 2007, certain manufacturers located in Maine but outside a Pine Tree Development Zone may be eligible for this credit. The taxpayer must be certified by the Department of Economic and Community Development ("DECD"), add new, full-time jobs that meet certain wage requirements and offer the new employees retirement and health care benefits. 36 MRSA § 5219-W. **You must attach a copy of the certificate issued by DECD and a completed tax credit worksheet.** For more information and examples, visit [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) and select Guidance Documents.

**29f. Biofuel Production Credit:** A taxpayer engaged in the production of biofuels in Maine who has received certification from the Commissioner of the Maine Department of Environmental Protection (DEP) is allowed a credit against the tax imposed on income derived during the taxable year from the production of biofuel equal to the amount of \$0.05 per gallon of liquid biofuel or gaseous biofuel with a BTU equivalent to that of one gallon of gasoline that replaces the use of petroleum or liquid fuels derived from other fossil carbon sources. When claiming this credit, attach a copy of the certificate issued by the Maine DEP. 36 MRSA § 5219-X. **You must complete and attach a tax credit worksheet.**

**29g. Research Expense Tax Credit:** The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous 3 tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term "qualified research" is defined in IRC § 41(d). 36 MRSA § 5219-K. **You must complete and attach a tax credit worksheet.**

**29h. Super Research and Development Credit:** Businesses that qualify for the research expense tax credit and whose Maine research expenses increase by more than 50% over the average research expenses incurred in the three tax years immediately preceding June 12, 1997 qualify for this credit. 36 MRSA § 5219-L. **You must complete and attach a tax credit worksheet.**

**29i. High-Technology Investment Tax Credit:** Businesses engaged primarily in high-tech activities are eligible for this credit. The credit is equal to the adjusted basis of eligible equipment on the date that equipment is placed in service in Maine subject to

certain reductions. The credit is limited to \$100,000 per year (\$200,000 in certain cases) and may not reduce the tax liability below zero. 36 MRSA § 5219-M. **You must complete and attach a tax credit worksheet. Also, any depreciation claimed in the year the credit is used must be added back to income (see instructions for line 4g on page 5).**

**29j. Minimum Tax Credit:** Complete Schedule D on page 4 of Form 1120ME to calculate your credit. 36 MRSA § 5203-C(4).

**29k. Credit for Dependent Health Benefits Paid:** Employers that offer a qualified health benefit plan and that employ fewer than five employees may qualify for this credit. The credit is equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. 36 MRSA § 5219-O. **You must complete and attach a tax credit worksheet.**

**29l. Credit for Educational Opportunity for Employers:** A credit is available to Maine employers making eligible education loan payments on behalf of qualified employees. 36 MRSA § 5217-D. **You must complete and attach a tax credit worksheet.**

**29m. Nonrefundable Historic Rehabilitation Credit for qualified expenditures incurred prior to 2008:** (See explanation below regarding the refundable Historic Rehabilitation Credit for qualified expenditures incurred after 2007.) A taxpayer is allowed a nonrefundable credit equal to the amount of the federal credit claimed for the taxable year with respect to qualified expenditures incurred prior to 2008, including carryovers, for rehabilitation of certified historic structures located in Maine. The credit is limited to \$100,000 annually per taxpayer. 36 MRSA § 5219-R(1). **You must complete and attach a tax credit worksheet.**

**NOTE:** A new refundable historic rehabilitation tax credit was recently enacted for qualified expenditures incurred after December 31, 2007. *Do not report* this refundable credit on line 29m; instead, follow the worksheet instructions for the **refundable historic rehabilitation tax credit** on how to claim the refundable credit on the corporate income tax return. The worksheet instructions also provide a description of the qualifications for the refundable credit.

**29n. OTHER:** Enter on this line, the sum of the following credits:

**Family Development Account Credit:** Contributors to family development matching fund accounts are eligible for a credit. The credit is equal to the lesser of \$25,000 or 50% of the amount contributed. The credit is limited to the tax liability on the return and must be taken after the allowance of all other credits. The aggregate allowable credit amount in a state fiscal year is limited to \$200,000. The Finance Authority of Maine is required to certify the allowable credit for each contributor. Call 207-623-3263 for further information. 36 MRSA § 5216-C. **You must complete and attach a tax credit worksheet.**

**Media Production Credit:** A media production company engaged in a media production that is certified by the Department of Economic and Community Development ("DECD") is allowed a credit against the Maine income tax related to the certified media production. 36 MRSA § 5219-Y. Those companies

## SCHEDULE C INSTRUCTIONS (continued)

that are eligible for this credit may also be eligible for a partial reimbursement for wages paid to employees working in a qualified project. 36 MRSA c. 919-A. Businesses claiming the Pine Tree Development Zone income tax credit under 36 MRSA § 5219-W are not eligible for this credit. **You must complete and attach a tax credit worksheet.**

**Clean Fuel Credit:** The credit is based on the expenditures paid or incurred for construction, installation of, or improvements to any filling station or charging station in Maine for the purpose of providing clean fuels to the general public for use in motor

vehicles. 36 MRSA § 5219-P. **You must complete and attach a tax credit worksheet.**

**Credit for Pollution Control Boilers:** A qualified business is allowed a credit of 1.5¢ per kilowatt-hour (or equivalent) produced by a pollution-reducing boiler. Eligible businesses and boilers are certified by the Department of Environmental Protection. The credit applies to tax years beginning on or after January 1, 2006 and is repealed December 31, 2009. 36 MRSA § 5219-Z. **You must complete and attach a tax credit worksheet.**

**29n credits cannot exceed the tax liability on line 7a, Form 1120ME.)**

**You must complete and attach tax credit worksheets showing your calculations for credits claimed. Tax credit worksheets and instructions are available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms); select Worksheets for Tax Credits.**

(NOTE: The total of Schedule C line 29a through

## COMBINED REPORT FOR UNITARY MEMBERS (FORM CR) INSTRUCTIONS

The combined report, when applicable, must be filed with Form 1120ME or Form 1120X-ME. This report must be accompanied by an affiliation schedule (federal Form 851 for consolidated filers is acceptable) listing name, federal ID number and corporate activity of all members of the affiliated group, both unitary and non-unitary members.

### A. PURPOSE OF FORM:

**NOTE: Only unitary business group members are to be included on this form. Affiliated non-unitary members are not to be included on Form CR.**

Form CR is used to calculate the “taxable income under the laws of the United States” (36 MRSA § 5102(8)) of a unitary business. Taxable income under the laws of the United States of a unitary business is: (a) separate federal taxable income as defined under federal consolidated regulations for each member of a unitary business that is a member of a single federal consolidated filing; plus (b) separate federal taxable income as defined under federal consolidated regulations for members of a unitary business that are members of other federal consolidated filings; plus (c) federal taxable income from the federal returns of the unitary members that are not members of a federal consolidated group; plus (d) adjustments for certain intercompany transactions between members of the unitary business.

### B. COMBINED REPORTING:

Corporations with taxable income under the laws of the United States that are members of an affiliated group engaged in a unitary business must file a combined report. Corporations that are members of a unitary business but are not required to file a federal return must be excluded from the combined report. This includes those corporations not required, but electing, to file a federal tax return.

“Affiliated group” means a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations. 36 MRSA § 5102(1-B). A “unitary business” is a business activity that is characterized by unity of ownership, functional integration, centralization of management and economies of scale. 36 MRSA § 5102(10-A). See page 2 for more information.

All corporations, required to file federal returns that are part of a unitary business are required to be included in the combined report of any taxable corporation with Maine nexus, even if the affiliated corporation has no nexus with Maine.

### C. COLUMN INSTRUCTIONS:

**Column 1.** Place a check mark in this column for corporations listed in column 2 that have nexus with Maine (see explanation of nexus on page 2).

**Column 2.** Enter the name and federal identification number of each member of the unitary business. For an explanation of what constitutes a unitary business, see instructions on pages 2 and 3. Indicate whether the corporation is a REIT or 936 corporation.

**Column 3.** Enter the separate federal taxable income under U. S. Treasury Regulation § 1.1502 of each member listed in column 2 that was part of a federal consolidated return (member’s share of Form 1120, line 28). This information can be obtained from the supporting statement filed with federal Form 1120 for consolidated returns. **Attach a copy of the supporting statement from the consolidated return.**

**Column 4.** Enter the federal taxable income of each corporation listed in column 2 that filed a separate federal return (Form 1120, line 28 or equivalent income from other federally filed return). Entries in column 4 relate to member corporations of the unitary business that were not included in a federal consolidated return.

**Each corporation on this report should have an amount entered in either column 3 or column 4, but not both.**

**Column 5.** Enter any adjustments for eliminations, deferrals and other modifications allowed under federal law and regulations not yet taken in column 3. Include any intercompany transactions between corporations listed on this report if those transactions resulted in gains or losses. For transactions between unitary business members not part of the same consolidated filing, enter adjustments allowed under MRS Rule 810.03(D). **Attach a worksheet that details adjustments claimed in column 5.**

**Column 6.** Combine columns 3, 4 and 5. This is the adjusted separate income of each member of the unitary business group.

**Column 7, A.** State subtraction modifications. Enter the share of state subtraction modifications applicable to the unitary member on the corresponding line. If a single return is filed for the entire group, the total for

all unitary members must agree with Form 1120ME, line 2k. Attach a supporting schedule.

**Column 7, B.** State addition modifications. Enter the share of state addition modifications applicable to the unitary member on the corresponding line. If a single return is filed for the entire group, the total for all unitary members must agree with Form 1120 ME, line 4h. Attach a supporting schedule.

**Column 8.** Enter in columns A and B each corporation’s share of Maine sales of the unitary business. The total of column 8(A) should be carried over from line 17 to Form 1120ME, Schedule A. If a single return is filed for the entire group, the amounts listed on the total line of column 8(A) must agree with those entered on line 12, Column (A) of Schedule A, Form 1120ME.

**Column 9.** Enter in column 9 each corporation’s share of sales of the unitary business. The total should be carried over from line 17 to Form 1120ME, Schedule A. If a single return is filed for the entire group, the amounts listed on the total line of column 9 must agree with that entered on line 12, Column (B) of Schedule A, Form 1120ME.

### D. LINE INSTRUCTIONS:

**Line 16.** To the extent not already eliminated, remove all intercompany transactions. These eliminations are for page 2, columns 7-8 only. Attach a worksheet that details any adjustment claimed on this line.

**Line 17.** Enter the total for each of columns 3 through 8.

**Line 18.** Enter allowable special deductions for the unitary business (from federal Form 1120, line 29b). These deductions must be aggregated and adjusted, if necessary, in a manner consistent with federal consolidated filing requirements.

**Line 19.** Enter the allowable NOL deductions for the unitary business. See MRS Rule 810.09 (allocation and uses of net operating losses).

**Line 20.** Enter the total from column 6 minus the deductions on lines 18 and 19. If filing a single return, enter on this line and on Form 1120ME, page 1, line 1. This is the taxable income under the laws of the United States of the unitary business.

**See MRS Rule 810 for more information.**

# 2008 MAINE AMENDED CORPORATE INCOME TAX RETURN (1120X-ME)

*This form may only be used to amend a 2008 Maine tax return*

## INSTRUCTIONS

**Purpose of form:** A Maine amended return must be filed when: 1) an amended federal return has been filed that affects the taxpayer's liability; 2) the Internal Revenue Service has made a change or correction that affects the taxpayer's liability; or 3) there are other changes or corrections that affect the taxpayer's liability.

**Form to use:** Use **2008 Form 1120X-ME** to correct Form 1120ME returns for year **2008 only**. To correct Form 1120ME or Form 1120A-ME returns for years **1991 through 2007**, use a **Form 1120X-ME applicable to appropriate year**. To obtain a Form 1120X-ME for years 1991 through 2007, go to [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or call 207-624-7894. For **years prior to 1991**, use **Form 1120ME for the year(s) prior to 1991 you are amending** and print or type "amended" in the upper left corner of the form. To obtain a form for the pre-1991 year being amended, go to [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms) or call 207-624-7894.

**Attachments:** Attach copies of federal Form 1120X or the Internal Revenue Agent report to support changes shown on Maine Form 1120X-ME. In the event of a net operating loss, attach a copy of federal Form 1139 for each year you are amending. For all amended returns, Schedules A through D must be completed, even if the amounts have not changed from the original return.

**Reporting Net Operating Loss:** Federal net operating losses, including carrybacks and carryforwards, are reflected in the federal taxable income reported on the Maine corporate income tax return, line 1. If the Maine amended return being filed is due to federal NOL carrybacks or carryforwards, you must attach a copy of federal Form 1139 or Form 1120X and a schedule that reflects, from year to year, the use of the federal NOL carryback or carryforward and related income modifications described below. Corporations included in a federal consolidated return filing a separate Maine return that carry back a loss for Maine purposes that differs from the federal NOL carryback must complete and attach to the Maine Form 1120X-ME a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the amount of NOL deduction being claimed for Maine purposes. Clearly mark the form "Maine pro forma."

The following modifications are reported on the Maine corporate income tax return, line 4d: 1) for tax years beginning prior to 2002, the amount of any NOL for the current taxable year which, for federal income tax purposes, has been or will be carried back to previous taxable years in accordance with IRC § 172; 2) the amount of any NOL carryover deduction claimed for federal income tax purposes in accordance with IRC § 172 which has previously been used to offset Maine modifications to federal taxable income under 36 MRSA § 5200-A(1); 3) for tax years beginning in 2008, increase Maine taxable income by 10% of any federal net operating loss carryover in excess of \$100,000 used in calculating federal taxable income.

The following modifications are also reported on the Maine corporate income tax return, line 4d: 1) for NOLs arising in tax years 1991 – 1992 and beginning on or after January 1, 2002 that were carried back for federal income tax purposes, the federal taxable

income in the year or years preceding the year of the loss must, for Maine income tax purposes, be increased by the amount of the federal NOL carryback; 2) for NOLs arising in tax years beginning or ending in 2001 that were carried back more than two years for federal income tax purposes, the federal taxable income in the year or years preceding the year of the loss by more than two years must, for Maine income tax purposes, be increased by the amount of the federal NOL carryback. The modification relating to NOLs arising in years beginning or ending in 2001 does not apply to certain small businesses and farmers.

For NOLs arising in tax years 1989 – 1992, the federal taxable income of the taxpayer in the *15-year period* following the year of the loss may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years 1989 – 1992. Likewise, for NOLs arising in tax years beginning on or after January 1, 2002, the federal taxable income of the taxpayer in the *20-year period* following the year of the loss may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years beginning on or after January 1, 2002. For NOLs arising in tax years beginning or ending in 2001 that were carried back more than two years for federal income tax purposes, federal taxable income in the two years preceding the year of the loss and within the allowable carryover period for NOLs may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years beginning or ending in 2001. However, adjusted federal taxable income may not be reduced to less than zero. The modifications described in this paragraph are

reported on line 2f of the Maine corporate income tax return.

**Alternative Minimum Tax:** The above modifications also apply to the Maine Alternative Minimum tax. Attach a schedule showing the alternative minimum tax loss and use of modifications.

**Unitary groups:** For a unitary group filing a combined Maine return, the federal taxable income to be reported on the Maine corporate return, line 1 is the federal taxable income under the laws of the United States for the unitary group (*see* MRS Rule 810). This is the amount shown on Form CR, line 20 as amended. All unitary business groups must complete Form CR. The determination of the federal taxable income of the unitary group in accordance with MRS Rule 810 may result in a federal NOL for Maine tax purposes that differs from the federal NOL. This is generally the result of the unitary group being different than the federal consolidated group. Regardless of the federal NOL amount, the NOL amount for the Maine unitary group may be carried back (for tax years beginning prior to 2002) or forward consistent with the Internal Revenue Code and related regulations, subject to the modifications of 36 MRSA § 5200-A(1)(B), (C) & (H) and subject to the requirements of MRS Rule 810. If the loss being carried back for Maine purposes is different than the loss being carried back for federal purposes, complete and attach a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the NOL deductions being claimed for Maine purposes. Clearly mark the form "Maine pro forma." If the composition of the unitary group changes, see MRS Rule 810 for guidance on the allocation and use of NOLs.

The following example illustrates Maine adjustments related to federal NOL Carrybacks:

Corresponding Line on Maine Return	Carryback Year 2005	NOL Year 2006	Carryforward Years 2007 2008
Federal taxable income prior to NOL deduction	55,000	- 60,000	35,000 25,000
1. FTI after NOL deduction	<u>- 55,000</u> 0	<u>        </u> - 60,000	<u>- 5,000</u> 30,000 25,000
2f. Deduction Modification 5200-A (2)(H)			<u>- 40,000</u> <u>- 5,000</u>
Addition Modifications:			
4d. 5200-A (1)(H)	55,000		
4g. Other	<u>        </u>	<u>10,000</u>	<u>10,000</u> <u>8,000</u>
6. Adjusted Fed. Taxable Income	55,000	-50,000	0 28,000

Of the original \$60,000 loss in 2006, \$55,000 is carried back for federal purposes, but disallowed for Maine purposes. The remaining \$5,000 is carried forward at the federal level and is included in 2007 FTI. For Maine purposes, the amount equal to the federal carryback is allowed as a subtraction modification to the extent that it does not reduce Adjusted Federal Taxable Income below zero, is within the allowed federal carryover period and has not previously been used to offset Maine income. In this example, \$10,000 of the federal NOL was used to offset Maine addition modifications in the year of the loss, reducing the overall subtraction modification allowable in future years from \$55,000 to \$45,000. For additional information concerning the NOL recovery adjustment, see [www.maine.gov/revenue/incomeestate](http://www.maine.gov/revenue/incomeestate) and select Guidance Documents.



# 2008 MAINE AMENDED CORPORATE INCOME TAX RETURN (1120X-ME)

## INSTRUCTIONS (continued)

enter the result in column C.

### **SCHEDULES A - D:**

Check the amended box if the schedule is being changed as a result of this amended return and complete each schedule with the amended figures. Check the original or previously adjusted box if the schedule shows the figures as last adjusted or originally filed. In all cases, properly complete columns A, B and C of Form 1120X-ME, lines 7a, 7b and 8d as they relate to Schedules A, B and C.

**Schedule A:** Schedule A is for corporations engaged in interstate business. If this is the case, you must complete this schedule, even if you are not changing the figures from the original or as previously adjusted.

See additional Schedule A instructions on page 6.

**Schedule B:** Complete this schedule even if amounts are the same as originally filed or previously adjusted. Note: the method of calculating minimum tax was changed for 2004. The amended return in this booklet is for tax year 2008 only. For years prior to 2008, use the Schedule B applicable to the tax year return being amended.

**Schedule C:** If you had other credits on your original return that are still valid, you must enter those credits here, even if you are not making any adjustments. See additional Schedule C instructions on page 8.

**Schedule D:** A minimum tax credit is available for

tax years beginning on or after January 1, 1992. This credit is modeled after the federal alternative minimum tax credit. Complete this schedule to calculate your credit. You must complete this schedule and enter line 30g on Schedule C, line 29j, even if you are not changing the figures from the original return or as previously adjusted.

**NOTE:** For tax years 2005 and later, you must apportion the gross tax amount to determine Maine liability. For years prior to 2005, the apportionment percentage was applied to income instead of tax. For tax years 2007 and later, the Schedule A apportionment calculation is based completely on sales. Be sure to select the correct amended return for the year you wish to amend. For more information, see instructions for Form 1120ME, lines 6 and 7a on page 5.

**An incomplete Form 1120X-ME cannot be processed. Attaching schedules or spreadsheets in lieu of this form is not acceptable.**

**IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1-4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.**



2008

MAINE CORPORATE INCOME TAX RETURN
FORM 1120ME



\*0800100\*

For calendar year 2008 or tax year

08 to (Month, Day, Year fields)

Check if you filed federal Form 990-T

Name of Corporation, Address, City, Town, or Post Office, Contact Person's First Name, Contact Person's Last Name, Telephone Number, Federal Business code, State of, Federal Employer ID Number, Incorporation, State, ZIP Code, Parent Company Employer ID No.

CHECK APPLICABLE BOXES: (1) Initial return (2) Final return (3) Change of name/address (4) Combined return (Attach Form CR) (5) Member of an affiliated group filing a separate return. To amend your return, you must file 2008 Form 1120X-ME

DO NOT STAPLE OR TAPE FORMS TO YOUR RETURN. DO NOT SEND PHOTOCOPIES OF RETURNS.

Table with columns for line number, description, and amount. Includes sections for Federal Consolidated Income, Subtractions (Nontaxable Interest, Foreign Dividend Gross-up, etc.), Line 1 Minus Line 2k, and Additions (Income Taxes, Unrelated Expenses, etc.).





Federal EIN

SCHEDULE A - APPORTIONMENT OF TAX

Do not complete this schedule if 100% of your business activity is attributable to Maine. Schedules B, C, and D may still be required.

All others must complete this schedule and enter amounts in columns A and B, even if those amounts are zero. If this schedule is left blank or excluded, your Maine apportionment factor will be set at 100%. Round all dollar amounts to whole numbers.

Check here if the taxpayer is a mutual fund service provider electing to use the special apportionment formula under 36 MRSA § 5212(2).

Table with 3 columns: (A) Within Maine, (B) Everywhere, (C) Apportionment Factor. Rows include Total Sales, Total Payroll, Total Property, MAINE APPORTIONMENT FACTOR, GROSS TAX, MAINE CORPORATE INCOME TAX, and TANGIBLE PERSONAL PROPERTY.

SCHEDULE B - MINIMUM TAX (Attach federal Form 4626)

Table with 2 columns: Description, Amount. Rows include FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME, MODIFICATIONS, TENTATIVE ALTERNATIVE MINIMUM TAXABLE INCOME, EXEMPTION, ADJUSTED TENTATIVE ALTERNATIVE MINIMUM TAXABLE INCOME, APPORTIONMENT FACTOR, ALTERNATIVE MINIMUM TAXABLE INCOME, TENTATIVE MINIMUM TAX, INCOME TAX, ALTERNATIVE MINIMUM TAX PRIOR TO PINE TREE DEVELOPMENT ZONE CREDIT, PINE TREE DEVELOPMENT ZONE CREDIT, and ALTERNATIVE MINIMUM TAX.



Federal EIN

SCHEDULE C - OTHER CREDITS

(Attach worksheets. To get worksheets, see www.maine.gov/revenue/forms)

Table with 13 columns: Line number, Description, Credit Claimed, Amount Used, and Amount. Rows include MAINE SEED CAPITAL TAX CREDIT, JOBS AND INVESTMENT TAX CREDIT, EMPLOYER-ASSISTED DAY CARE TAX CREDIT, etc.

SCHEDULE D - MINIMUM TAX CREDIT

Table with 4 columns: Line number, Description, and Amount. Rows include NET STATE MINIMUM TAX FOR 2007, MINIMUM TAX CREDIT CARRYOVER FROM 2007, LINE A PLUS LINE B, etc.



MAINE CORPORATE INCOME TAX  
COMBINED REPORT FOR UNITARY MEMBERS

2008

Federal EIN: \_\_\_\_\_

**Important:** The combined report must be accompanied by a legible copy of the parent corporation's federal consolidated tax return, pages 1, 2, 3 and 4 (or equivalent) and affiliation schedule.

**This report must be attached to Form 1120ME**

Col 1 - Nexus	<b>Column 2*</b> Corporation Name and Federal Identification Number of Unitary Business Member  * Please indicate if REIT or 936 corporation.	<b>Column 3</b> Income of Unitary Members Participating in a Federal Consolidated Filing	<b>Column 4</b> Income of Unitary Members Filing Separate Federal Returns	<b>Column 5</b> Allowable Adjustments	<b>Column 6</b> Adjusted Separate Income of Unitary Members (Combine Columns 3, 4, & 5)
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.	Adjustments and eliminations for columns 7 and 8 <span style="float: right;">➔</span>				
17.	<b>TOTALS:</b>				
				18. Special Deductions	
				19. Unitary NOL Deduction	
				20. Taxable Income under the Laws of the United States	

**FORM CR – page 2 of 2**

**2008**

**MAINE CORPORATE INCOME TAX  
COMBINED REPORT FOR UNITARY MEMBERS**

**Important:** The combined report must be accompanied by an affiliation schedule listing the name, federal EIN, and corporate activity of all members of the affiliated group, including both unitary and non-unitary members.

**This report must be attached to Form 1120ME**

	Column 7 State Modifications		Column 8		Column 9
	A. Subtractions	B. Additions	A. Sales in Maine for Nexus Corporations	B. Sales in Maine for Non-nexus Corporations	Sales Everywhere for Nexus and Non-Nexus Corporations
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16. Adjustments					
<b>17. TOTALS</b>					



For calendar year 2008 or tax year

08 to

\*0800600\*

USE THIS FORM ONLY FOR TAX YEAR 2008

Name of Corporation Federal Business code

Address Federal Employer ID Number State of Incorporation

City, Town, or Post Office State ZIP Code Parent Company Employer ID Number

Contact Person's First Name Contact Person's Last Name Telephone Number

REASON FOR CHANGE: (1) IRS change (2) Net operating loss (3) Federal amended 1120X (4) Accounting change (5) Other (attach explanation) (6) You are a member of an affiliated group filing a separate return (7) You are filing a combined return (If so, complete & attach Form CR)

DO NOT STAPLE OR TAPE FORMS TO YOUR RETURN. DO NOT SEND PHOTOCOPIES OF RETURNS.

Table with columns: A. Original, B. Adjustment, C. Correct Amount. Rows include: A. FEDERAL CONSOLIDATED INCOME, 1. FEDERAL TAXABLE INCOME, 2. SUBTRACTIONS (a-j), 3. LINE 1 MINUS LINE 2k, 4. ADDITIONS (a-g).

2008 MAINE AMENDED CORPORATE INCOME TAX RETURN



Federal EIN

Table with columns A (Original), B (Adjustment), and C (Correct Amount). Rows include ADJUSTED FEDERAL TAXABLE INCOME, GROSS TAX, MAINE CORPORATE INCOME TAX, MINIMUM TAX, and TOTAL TAX.

Table for PAYMENTS AND CREDITS. Rows include MAINE ESTIMATED TAX PAID, EXTENSION PAYMENT, PAYMENT WITH ORIGINAL RETURN AND ADDITIONAL PAYMENTS, OTHER CREDITS, PASS-THROUGH ENTITY WITHHOLDING, TOTAL PAYMENTS AND CREDITS, OVERPAYMENT, and LINE 8f MINUS LINE 8g.

COMPANY'S WEB SITE ADDRESS, CORPORATION PRESIDENT'S NAME SOCIAL SECURITY NUMBER, TREASURER'S NAME SOCIAL SECURITY NUMBER

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct and complete.

Signature lines for OFFICER'S SIGNATURE and SIGNATURE AND ADDRESS OF PREPARER (INDIVIDUAL OR FIRM) with DATE and SOCIAL SECURITY NUMBER fields.

File return with: Maine Revenue Services P.O. Box 1062 Augusta, ME 04332-1062

Office use only LG



Federal EIN

SCHEDULE A - APPORTIONMENT OF TAX

Check here if this has been amended: [ ] Check here if this is as originally reported or previously adjusted: [ ]

Do not complete this schedule if 100% of your business activity is attributable to Maine.

All others must complete this schedule and enter amounts in Columns A and B, even if those amounts are zero. If this schedule is left blank or excluded, your Maine apportionment factor will be set at 100%. Round all dollar amounts to whole numbers.

[ ] Check here if the taxpayer is a mutual fund service provider electing to use the special apportionment formula under 36 MRSA § 5212(2).

Table with 3 columns: (A) Within Maine, (B) Everywhere, (C) Apportionment Factor. Rows include Total Sales, Total Payroll, Total Property, MAINE APPORTIONMENT FACTOR, GROSS TAX, MAINE CORPORATE INCOME TAX, and TANGIBLE PERSONAL PROPERTY.

SCHEDULE B - MINIMUM TAX

Check here if this has been amended: [ ] Check here if this is as originally reported or previously adjusted: [ ]

Attach federal Form 4626. This schedule must be completed even if it is the same as originally filed or previously adjusted.

Table with 2 columns: Description, Amount. Rows include FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME, MODIFICATIONS, TENTATIVE ALTERNATIVE MINIMUM TAXABLE INCOME, EXEMPTION, ADJUSTED TENTATIVE ALTERNATIVE MINIMUM TAXABLE INCOME, APPORTIONMENT FACTOR, ALTERNATIVE MINIMUM TAXABLE INCOME, TENTATIVE MINIMUM TAX, INCOME TAX, ALTERNATIVE MINIMUM TAX PRIOR TO PINE TREE DEVELOPMENT ZONE CREDIT, PINE TREE DEVELOPMENT ZONE CREDIT, and ALTERNATIVE MINIMUM TAX.



Federal EIN

SCHEDULE C - OTHER CREDITS

Check here if this has been amended: [ ] Check here if this is as originally reported or previously adjusted: [ ]

This schedule must be completed even if it is the same as originally filed or previously adjusted.

Table with 3 columns: Description, Amount Used, and Total. Rows include MAINE SEED CAPITAL TAX CREDIT, JOBS AND INVESTMENT TAX CREDIT, EMPLOYER-ASSISTED DAY CARE TAX CREDIT AND QUALITY CHILD CARE INVESTMENT CREDIT, EMPLOYER-PROVIDED LONG-TERM CARE BENEFITS CREDIT, PINE TREE DEVELOPMENT ZONE CREDIT, BIOFUEL PRODUCTION CREDIT, RESEARCH EXPENSE TAX CREDIT, SUPER RESEARCH AND DEVELOPMENT CREDIT, HIGH-TECHNOLOGY INVESTMENT TAX CREDIT, MINIMUM TAX CREDIT, CREDIT FOR DEPENDENT HEALTH BENEFITS PAID, CREDIT FOR EDUCATIONAL OPPORTUNITY, NONREFUNDABLE HISTORIC REHABILITATION CREDIT, and OTHER. All amounts are .00.

SCHEDULE D - MINIMUM TAX CREDIT

Check here if this has been amended: [ ] Check here if this is as originally reported or previously adjusted: [ ]

This schedule must be completed even if it is the same as originally filed or previously adjusted.

Table with 3 columns: Description, Amount, and Total. Rows include NET STATE MINIMUM TAX FOR 2007, MINIMUM TAX CREDIT CARRYOVER FROM 2007, LINE A PLUS LINE B, REGULAR INCOME TAX LIABILITY FOR 2008, TENTATIVE MINIMUM TAX, LINE D MINUS LINE E, STATE MINIMUM TAX CREDIT, and Maine minimum tax credit CARRYOVER TO 2009. All amounts are .00.

# 2008 IMPORTANT TAX LAW CHANGES

**Bonus depreciation -- addition.** An addition modification is required equal to the net increase in depreciation applicable to the 50% bonus depreciation claimed for federal purposes under section 103 of the Economic Stimulus Act of 2008. Applies to tax years beginning in 2008 or 2009. See 36 MRSA § 5200-A(1)(T). LD #2289, PL 2007, c. 539, § CCC-15.

**Bonus depreciation -- recapture.** A subtraction modification is allowed equal to the net decrease in depreciation, in years after the year an asset was placed in service, applicable to the 50% bonus depreciation claimed for federal purposes under section 103 of the Economic Stimulus Act of 2008. This subtraction modification differs from the bonus depreciation recapture under § 5200-A(2)(N) in that this modification reconciles the difference between the depreciation claimed at the federal level and the amount of depreciation that would have been allowable had the 50% bonus depreciation under the Economic Stimulus Act of 2008 not been taken. Any remaining difference may be claimed in the year the asset is disposed. Applies to tax years beginning on or after January 1, 2009. See 36 MRSA § 5200-A(2)(R). LD #2289, PL 2007, c. 539, § CCC-18.

**Net operating losses – recapture amount limited.** Corporations with a recapture subtraction modification of a previously denied net operating loss (“NOL”) carryback are limited to claiming no more than \$100,000 for any tax year beginning in 2008. See 36 MRSA §§ 5200-A(2)(H) and 5200-A(2)(L). LD #2289, PL 2007, c. 539, §§ AAAA-1 & 2.

**Net operating losses.** For tax years beginning in 2008, corporate taxpayers must increase Maine taxable income by 10% of any federal net operating loss carryover in excess of \$100,000 used in calculating federal taxable income. The addition may be recaptured in subsequent tax years as long as the tax year is within the allowable federal carryover period for the loss, plus one year. See 36 MRSA §§ 5200-A(1)(U) & 5200-A(2)(S). LD 2305, PL 2007, c. 700, Pt. B.

**Airport authority bond interest.** An airport authority chartered in accordance with Maine Title 6, Chapter 10 is allowed to issue bonds, the interest from which is not subject to Maine income tax. Thus, any such interest included in federal taxable income will be subtracted for Maine income tax purposes. Effective July 18, 2008. See 6 MRSA § 179(10). LD 599, PL 2007, c. 563.

**Refundable credit for rehabilitation of historic properties for qualified expenditures incurred after 2007.** Expenditures incurred prior to 2008 and after 2013 do not qualify for this credit. Eligible rehabilitations are certified by the Maine Historic Preservation Commission. The credit is either:

- 1) 25% of qualified expenditures with respect to certified historic structures located in Maine and for which a federal credit is claimed under the Code Section 47; or
- 2) 25% of qualified expenditures between \$50,000 and \$250,000 with respect to certified historic structures located in Maine and for which a federal credit is not claimed. This credit is claimed in the tax year the property is placed in service.

Eligible rehabilitations containing at least 33% (25% in certain cases) of the square footage in affordable housing may qualify for a 30% credit. Although the credit is refundable, only 25% of the credit may be claimed in each of 4 years, beginning with the year of eligibility. The credit is further limited to \$5 million for each certified rehabilitation. The allowable credit is allocable to all members of a pass-through entity, even if the member is a tax-exempt organization. This credit is refundable. Limitation and recapture provisions apply. See 36 MRSA § 5219-BB. LD #2289, PL 2007, c. 539, § WW-4 and LD 2151, PL 2007, c. 693, § 32.

**Media Production Reimbursement.** The date for filing an application with Maine Revenue Services (“MRS”) for reimbursement is changed. Under prior law, the due date was the 15th day of the month immediately following the month during which a reimbursement and credit certificate was received from the Department of Economic and Community Development. Under the new law, the due date is 6 weeks from the date the reimbursement and credit certificate is received. MRS has 90 days to pay the eligible reimbursement amount. For more information, go to [www.maine.gov/revenue/forms/credits/2008.htm](http://www.maine.gov/revenue/forms/credits/2008.htm). Effective July 18, 2008. See 36 MRSA § 6902(2). LD 2151, PL 2007, c. 693, § 36.

**Unclaimed Property Reporting Requirement**  
33 MRSA Chapter 41  
Annual Unclaimed Property Reports Due 11/01  
Gift Cards and Life Insurance Reports Due 5/01  
**Forms, Instructions, Extensions and**  
**Electronic Filing available at:**  
[www.maine.gov/unclaimed](http://www.maine.gov/unclaimed)  
**Office of the Maine State Treasurer**

## MAINE REVENUE SERVICES MISSION STATEMENT

The mission of Maine Revenue Services is to serve the citizens of Maine by administering the tax laws of the State effectively and professionally in order to provide the revenues necessary to support Maine government. To accomplish this mission, we will:

- Foster voluntary compliance with the tax laws by providing clear, complete, accurate, and timely guidance to taxpayers to help them understand and meet their responsibilities under the law.
- Maintain the highest standards of integrity, fairness, confidentiality and courtesy in everything we do.



**Eliminate Paper**  
**Use EZ Pay**  
(See Page 4 for details or  
go to [www.maine.gov/revenue](http://www.maine.gov/revenue))

### Are you required to collect and remit Maine sales & use tax?

**Registration for reporting and remitting sales and use tax in Maine may be required if you:**

- ***maintain an office, manufacturing facility, distribution facility, warehouse or storage facility, sales or sample room, or other place of business in Maine;***
- ***solicit orders for retail sales through one or more salespeople within the State;***
- ***make sales on behalf of a non-registered retailer located outside Maine;***
- ***have a substantial physical presence in Maine sufficient to satisfy the requirements of the due process and commerce clauses of the United States Constitution;***
- ***lease tangible personal property located in Maine and make retail sales to purchasers from Maine;***
- ***receive compensation from sales of tangible personal property or taxable services made outside Maine by a retailer for use, storage or consumption within Maine; or***
- ***manage, operate, collect or receive rent from a hotel, rooming house, tourist or trailer camp in Maine.***

**For more detailed information and assistance to confirm whether you need to register with Maine for sales and use tax, contact Maine Revenue Services at (207) 624-9693 or online at [www.maine.gov/revenue](http://www.maine.gov/revenue).**

## MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services (“MRS”) maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any purpose other than the conduct

of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer except as allowed under 36 MRSA § 191. Communications that do not meet the definition of tax information are

subject to the general confidentiality and public inspection provisions of Maine’s “Freedom of Access” laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. If you have any questions regarding the Privacy Policy, please contact MRS at (207) 626-8475.